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ABSTRACT

This paper reports the results of a 1997 investigation by the North Carolina Office of the State Auditor into allegations concerning Johnston Community College (JCC) and the Johnston Community College Foundation, Inc. Findings of the report include: (1) a contractor who did personal work for the president and who paid the maintenance supervisor for part-time work was paid $196,627 for construction projects that did not go through a formal competitive bidding process; (2) JCC purchased carpet on 11 occasions from a business owned by the JCC maintenance supervisor; (3) horses may have been donated to JCC, but conflicting stories and lack of records create doubt; however, JCC reported using $2,547 of county funds to feed horses kept on the farm of the contractor who claims to have donated the horses, and, in addition, JCC employees fed and cared for the horses; (4) the president earns eight hours of sick leave and 17.7 hours of vacation pay per month; (5) there were allegations that the president had altered his leave records; and (6) the president had accumulated 3,199.18 hours of sick leave as of February 1997. The report recommends that the JCC and the Foundation should review and revise its procedures with respect to the items in the report. (NB)

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ED 463 029

STATE OF NORTH CAROLINA

SPECIAL REVIEW

JOHNSTON COMMUNITY COLLEGE
AND
JOHNSTON COMMUNITY COLLEGE FOUNDATION, INC.

SMITHFIELD, NORTH CAROLINA

AUGUST 1997

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SPECIAL REVIEW

JOHNSTON COMMUNITY COLLEGE

AND

JOHNSTON COMMUNITY COLLEGE FOUNDATION, INC.

SMITHFIELD, NORTH CAROLINA

AUGUST 1997

LETTER OF TRANSMITTAL

August 21, 1997

The Honorable James B. Hunt, Jr., Governor
Dr. H. Martin Lancaster, President
North Carolina Community College System Office
Ms. Joan J. Johnson, Chairman, Board of Trustees
Johnston Community College
Dr. John Tart, President
Johnston Community College
Members of the North Carolina General Assembly

Ladies and Gentlemen:

Pursuant to General Statute §147-64.6(c)(16), we have completed our special review into allegations concerning Johnston Community College and the Johnston Community College Foundation, Inc. The results of our review, along with recommendations for corrective actions, are contained in this report.

General Statute §147-64.6(c)(12) requires the State Auditor to provide the Governor, the Attorney General, and other appropriate officials with written notice of apparent instances of violations of penal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee. In accordance with that mandate, and our standard operating practice, we are providing copies of this special review to the Governor, the Attorney General and other appropriate officials.

Respectfully submitted,

Ralph Campbell, Jr.
State Auditor

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OVERVIEW

Johnston Community College (JCC), one of the North Carolina Community College System Office's (NCCCSO) 58 institutions is located in Smithfield, North Carolina. JCC has approximately 425 employees and a student enrollment of more than 2,930. The institution serves students in approximately 45 vocational, technical and college transfer programs. Operating expenditures for fiscal year 1995-96 totaled $16.9 million.

INTRODUCTION

Since May 1995, we have received a number of allegations through the State Auditor's Hotline concerning Johnston Community College (JCC) and the Johnston Community College Foundation, Inc. (JCC Foundation). These allegations addressed several areas including:

- Conflicts of interest in the purchases of goods and services;
- Failure to follow purchasing policies;
- The use of assets that were alleged to have been donated to the JCC Foundation;
- Co-mingling by the President of his business, personal and political activities;
- Failure to pay employees for overtime work; and
- Other allegations that were not substantiated by the evidence.

We used the following procedures to conduct our special review:

- Interviews with JCC employees.
- Interviews with individuals external to JCC.
- Examination of accounting records.
- Examination of JCC Foundation records.
- Examination of JCC and JCC Foundation policies and procedures.

This report presents the results of our Special Review. This review was conducted pursuant to G.S. §147-64.b(c)(16), rather than a financial audit. Such coverage is accomplished through the annual audit performed by the Office of the State Auditor.

FINDINGS AND RECOMMENDATIONS

1. **A CONTRACTOR, WHO DID PERSONAL WORK FOR THE PRESIDENT AND PAID THE MAINTENANCE SUPERVISOR FOR PART-TIME WORK, WAS PAID $190,627 FOR CONSTRUCTION PROJECTS THAT DID NOT GO THROUGH A FORMAL COMPETITIVE BIDDING PROCESS.**

When storm drainage improvements were needed on the Johnston Community College (JCC) campus, the President bypassed the purchasing department and instructed the Maintenance Supervisor to hire a contractor. According to the President, the Maintenance Supervisor was more knowledgeable in this area than the purchasing staff. The Maintenance Supervisor said he telephoned a few construction contractors and asked for bid quotes to be faxed to him on each project. An examination of the faxes we were given revealed the projects were awarded to the contractor who faxed him the lowest bids.

We have several concerns with this method of awarding construction projects. First, the projects were major jobs that cost JCC nearly $200,000. Secondly, there is no assurance we were shown all the quotes received or the contractors were submitting quotes based on having received the same information over the telephone from the Maintenance Supervisor. And lastly, the Maintenance Supervisor controlled the process that resulted in the contracts being awarded to a company in which he worked part-time. In addition to his full-time position at the school, the Maintenance Supervisor said the contractor's company paid him approximately $15,000 over the last two years.

The failure to follow established purchasing procedures, coupled with the Maintenance Supervisor's economic relationship with the contractor raises the appearance of a conflict of interest.

In addition to the Maintenance Supervisor's relationship with the contractor, the President of JCC engaged the contractor for personal services. According to the Maintenance Supervisor, the President asked him to approach the contractor and inquire about building a pond on the President's farm. The President confirmed the contractor worked on a pond at his farm and performed work at his mother's house. The President stated he has not paid the contractor for either job, because he has never received an invoice. The contractor stated he has not billed the President because he has not completed the work on the pond. According to the President, the work was done two to five years ago; the contractor remembers the work as being done four to seven years ago.

In our opinion the foregoing circumstances, at a minimum demonstrate an appearance of a conflict of interest. However, the actions also raise the question of whether there has been a violation of General Statute §133-32:

> (a) It shall be unlawful for any contractor, subcontractor, or supplier who:
>
> 1) Has a contract with a government agency; or
> 2) Has performed under such a contract within the past year; or
> 3) Anticipates bidding on such a contract in the future to make gifts or to give favors to any officer or employee of a governmental agency who is charged with the duty of:
> 4) Preparing plans, specifications, or estimates for public contract; or
> 5) Awarding or administering public contracts; or
> 6) Inspecting or supervising construction.
>
> It shall also be unlawful for any officer or employee of a governmental agency who is charged with the duty of:
>
> 1) Preparing plans, specifications, or estimates for public contract; or
> 2) Awarding or administering public contracts; or

3) Inspecting or supervising construction willfully to receive or accept any such gift or favor.

b) A violation of subsection (a) shall be a Class 1 misdemeanor.
c) Gifts or favors made unlawful by this section shall not be allowed as a deduction for North Carolina tax purposes by any contractor, subcontractor or supplier or officers or employees thereof.
d) This section is not intended to prevent the gift and receipt of honorariums for participating in meetings, advertising items or souvenirs of nominal value, or meals furnished at banquets. This section is not intended to prevent any contractor, subcontractor, or supplier from making donations to professional organizations to defray meeting expenses where governmental employees are members of such professional organizations from participation in all scheduled meeting functions available to all members of the professional organization attending the meeting. This section is also not intended to prohibit customary gifts or favors between employees or officers and their friends and relatives or the friends and relatives or the friends and relatives of their spouses, minor children, or members of their household where it is clear that it is that relationship rather than the business of the individual concerned which is the motivating factor for the gift or favor. However, all such gifts knowingly made or received are required to be reported by the donee to the agency head if the gifts are made by a contractor, subcontractor, or supplier doing business directly or indirectly with the governmental agency employing the recipient of such a gift.

RECOMMENDATION

We recommend JCC comply with established purchasing procedures. We further recommend JCC review these procedures to assure that all employees with responsibility for awarding and supervising contracts fully disclose any relationships which may give an appearance of a conflict of interest and the college take steps to avoid these situations whenever possible.

2. JCC PURCHASED CARPET ON ELEVEN OCCASIONS TOTALING $19,897 FROM A BUSINESS OWNED BY THE JCC MAINTENANCE SUPERVISOR.

We received an allegation the Maintenance Supervisor sold carpet to JCC through his outside carpet business. The President said he used the Maintenance Supervisor to purchase carpet at wholesale prices, but JCC never paid the Maintenance Supervisor directly. However, an examination of expenditures revealed from August 22, 1991 to January 31, 1997, JCC paid the Maintenance Supervisor for carpet on eleven occasions totaling $19,897. When we informed the President of this fact, he said he didn't see anything wrong with the transactions. We disagree. In our opinion, the purchase of carpet from a full-time employee constitutes a conflict of interest.

According to the college's own purchasing policy, JCC was required to obtain quotes for these purchases. We asked the President why management ignored the policies regarding these and other purchases discussed in this report. The President said he could make a decision to do whatever he thought was good for the school.

Of the eleven carpet purchases, six were initiated by the Maintenance Supervisor. The Vice-President of Administration and Finance prepared one other requisition and the remaining four had no requisitions on file. These purchases were supported only by an invoice from the Maintenance Supervisor. On two occasions, the Maintenance Supervisor was paid well in advance of the date he actually ordered the carpet. One of these payments was made to him in January 1997 for $2,450, however, he did not order the carpet until March 1997.

The Maintenance Supervisor stated he made a profit on the sale of carpet to his employer. He also admitted he never paid the North Carolina Department of Revenue the $897 sales tax collected by him from JCC.

It appears the Maintenance Supervisor violated North Carolina General Statute §14-236 which states,

> ..If any member of any board of directors, board of managers, board of trustees of any of the educational, charitable, eleemosynary or penal institutions of the State, or any member of any board of education, or any county or district superintendent or examiner of teachers, or any trustee of any school or other institution supported in whole or in part from any of the public funds of the State, or any officer, agent, manager, teacher or employee of such boards, shall have any pecuniary interest, either directly or indirectly, proximately or remotely in supplying any goods, wares or merchandise of any nature or kind whatsoever for any said institutions or schools; or if any of such officers, agents, managers, teachers or employees of such institution or school or State or county officer shall act as agent for any manufacturer, merchant, dealer, publisher or author for any article of merchandise to be used by any of said institutions or schools; or shall receive, directly or indirectly, any gift, emolument, reward or promise of reward for his influence in recommending or procuring the use of any manufactured article, goods, wares or merchandise of any nature or kind whatsoever by any such institutions or schools, he shall be forthwith removed from his position in the public service, and shall upon conviction be deemed guilty of a Class 1 misdemeanor.

North Carolina General Statute 115D-26 states,

> ...All local trustees and employees of community colleges covered under this chapter must adhere to the conflict of interest provisions found in GS §14-236.

RECOMMENDATION

We recommend JCC cease doing business with its employees. In addition, we recommend management adhere to existing purchasing policies and refrain from paying vendors in advance.

3. THE VICE-PRESIDENT OF ADMINISTRATION AND FINANCE CIRCUMVENTED PURCHASING PROCEDURES WHEN SHE PURCHASED A VOICEMAIL SYSTEM.

During our review, we determined the Vice-President of Administration and Finance (Vice-President) circumvented purchasing procedures when she purchased a voicemail system. The only record regarding the purchase of the voicemail system provided to us by JCC was an unsigned contract faxed to the Vice-President from the vendor. The Vice-President circumvented the purchasing process as follows:

- A requisition was not prepared for the purchase.
- JCC's purchasing department was not consulted on the purchase.
- The state approved vendor on the state contract was not used (The North Carolina Department of Administration's Division of Purchase and Contract requires physical items costing greater than $10,000 to be purchased on state contract if available.)
- Quotes for bids were not requested.
- Approval for sole-sourcing the contract was not requested.

The base cost of the voicemail system was $17,845, excluding an additional $1,060 for other features. The system was installed, but as of the April 27, 1997, the vendor had not invoiced JCC. We contacted the vendor on state contract and determined the same base voicemail system can be purchased at a cost of $15,223, a savings of $2,622. The Vice-President said she purchased the voicemail system from this particular company because the company handled all of the college's telephone needs.

Section 1, page 1, of the North Carolina State Purchasing Manual states,

> All community colleges are required by General Statute §115C-522 to purchase or exchange all supplies, equipment and materials in accordance with contracts made by or with the approval of the Department of Administration.

In addition, G.S. §143.58. states,

> If any department, institution or agency of the State government, required by this Article and the rules adopted pursuant thereto applying to the purchase or lease of supplies, materials, equipment, printing or services through the Secretary of Administration, or any nonstate institution, agency or instrumentality duly authorized or required to make purchases through the Department of Administration, shall contract for the purchase or lease of such supplies, materials, equipment, printing services contrary to the provisions of this Article or the rules made hereunder, such contract shall be void and of no effect. If any such State or nonstate department, institution, agency or instrumentality purchases any supplies, materials, equipment, printing or services contrary to the provisions of this Article or the rules made hereunder, the executive officer of such department, institution, agency or instrumentality shall be personally liable for the costs thereof.

RECOMMENDATION

JCC should adhere to purchasing policies and procedures prescribed by state law.

4. HORSES MAY HAVE BEEN DONATED TO JCC BUT CONFLICTING STORIES AND A LACK OF RECORDS CREATE DOUBT.

We received an allegation regarding the donation of horses to the JCC Foundation. According to the President, a contractor (the individual in Finding 1) donated seven horses to JCC in October 1995, that were worth several thousand dollars each. They were to be sold and the proceeds deposited into the college's accounts. The President said he placed an ad in a local newspaper in June 1996 for the sale of the horses. The President said he sold one horse to a JCC employee for $200. He gave this money to the Vice-President of Administration and Finance to deposit in the JCC Foundation. It appears that

the horse purchased by the JCC employee was a horse donated by a different individual, and not one of the horses donated by the contractor.

The President said the horses remained on the contractor's farm. He said he gave the horses back to the contractor in December 1996, because he could not sell them, and the college could not continue to care for them. JCC employees had fed and cared for the horses. The JCC employee responsible for caring for the horses originally denied any knowledge of the horses; however, he later admitted to caring for the horses and to purchasing one of them. JCC used $2,547 of county funds to purchase the horse feed.

The JCC Foundation has a written policy requiring acknowledgement of donations to the Foundation. We asked the Director of the JCC Foundation for documentation reflecting

the receipt of the horses as a donation. We also asked for the documentation verifying that the $200 from the sale of the one horse had been deposited into the JCC Foundation account. The JCC Foundation Director said he had no record of the horses being donated other than the one horse that was sold for $200, nor had he received any money from the sale of a horse.

The JCC Vice-President of Administration and Finance (Vice-President) serves as the Treasurer for the JCC Foundation. She did not have records reflecting that horses were donated, however, she was aware an employee had purchased one horse for $200 since the money had been given to her to deposit. (Refer to Finding 6). While the JCC Foundation has a policy of recording donations, there was no such policy for recording donations to the college.

According to the contractor, he donated approximately eleven or twelve horses to JCC. He said the horses are currently located on a ranch in Benson, North Carolina, and the owner of the ranch will purchase the horses for a fair price once they are appraised. When the sale takes place, the contractor said he would give the money to JCC.

According to the owner of the ranch, he has six horses that had been previously donated to JCC. However, he stated he never discussed purchasing the horses from the contractor. We received such conflicting stories from the President, contractor, JCC employees, and others concerning the horses that we could not determine the number of horses donated, the date of any sale, or how many horses were sold. We do know the school spent $2,247

on horse feed, used JCC employees to care for the horses, and eventually sold one horse for $200.

RECOMMENDATION

We recommend JCC and the JCC Foundation record all donations when received. If the President receives a donation, he should inform the appropriate persons in the accounting departments, so the donation can be recorded. JCC and the JCC Foundation should formally acknowledge all contributions whenever feasible and in accordance with applicable tax laws.

5. JCC IS NOT MAINTAINING ADEQUATE RECORDS FOR DONATIONS.

The contractor referred to in Findings 1 and 4 said that he also donated a tractor and a horse trailer to JCC. The horse trailer was donated in October 1995 along with the horses. However, neither the contractor nor the President can recall when the tractor was donated. JCC has no records of either of these donations.

According to the President, the tractor was donated but could not be used due to mechanical problems. He said the contractor offered to make the necessary repairs, so the tractor was returned to him. The President could not recall the date the tractor was returned.

The contractor confirmed the tractor was returned in need of repair. Furthermore, he stated the tractor was taken to Wilmington for these repairs. He said after the tractor was repaired, it was used on his property in Wilmington and is still there. The contractor said the tractor will be returned to JCC when needed.

The President said the horse trailer was never donated to the college. The contractor, however, said the horse trailer was donated along with the horses. (Refer to Finding 4). In fact, the contractor stated the President had asked him on several occasions for the value of the horse trailer.

We questioned JCC employees about the horse trailer. Several employees stated they had seen a horse trailer at the college. We later learned the Maintenance Supervisor had possession of the horse trailer. When questioned, the Maintenance Supervisor said he borrowed the horse trailer from the contractor. He also stated he would return the horse trailer to the contractor immediately.

The President, who said he is aware of everything donated to the college and where the donated items are located, was unaware a horse trailer had been donated and was in the possession of the Maintenance Supervisor.

The Vice-President of Administration and Finance wrote a policy for recording donations to the college after we asked if such a policy existed. The policy states a letter of

appreciation will be sent to all donors and any items of a reportable dollar amount ($500 or more) will be placed on an inventory list.

RECOMMENDATION

We recommend the JCC Board of Trustees ensure the President adheres to the policies and procedures regarding donations.

6. THE VICE-PRESIDENT OF ADMINISTRATION AND FINANCE ALTERED AN OFFICIAL JCC RECORD.

The Vice-President of Administration and Finance (Vice-President), (who is also the JCC Foundation Treasurer), said the JCC President gave her $200 in cash from the sale of a horse. She said she kept the cash and wrote a personal check on December 19, 1996 payable to the JCC Foundation. She provided us a copy of the check. The Director of the Foundation found a copy of the same check in the Foundation records; however, the copy of the check the Director had on file had writing in the memo section of the check. This section was blank on the copy of the check given to us by the Vice-President. In the memo section of the Director's copy of the check, the Vice-President had written "Ritchie and Louise Wall endownment [sic]." A cover letter requesting the $200 be credited to the Vice-President's scholarship endowment account was attached to the original check and signed by the Vice-President. The Director stated the $200 check he received on December 19, 1996 from the Vice-President was a contribution to her endowment account.

We asked the Vice-President to explain again the $200 check she wrote to the JCC Foundation. Again, the Vice-President stated the check was from the sale of a horse. Finally, she admitted to altering the copy of the check she provided to us, but only after she was aware we had a copy of the check on file in the Director's office.

The Vice-President said the President told her to deposit the $200 in her endowment account. She stated she "whited out" the memo section of the check because she knew she should not have deposited the money in her endowment. According to the President, he told the Vice-President he did not care if she put the money in her endowment account.

RECOMMENDATION

JCC should determine the seriousness of the Vice-President's actions and stress to the administrative staff the importance of cooperating with authorized officials in a professional and ethical manner.

7. THE TECHNICAL DIRECTOR OF THE AUDITORIUM CONTRACTED WITH HIS SISTER'S TEMPORARY AGENCY, CREATING THE APPEARANCE OF A CONFLICT OF INTEREST.

The Technical Director of the Auditorium has created an appearance of a conflict of interest by using his sister's temporary agency to provide temporary employees for functions at JCC's auditorium. We determined the Technical Director's responsibilities include:

- Preparing the requisition to obtain temporary employees from his sister.
- Approving the temporary employees' timesheets.
- Approving payment to his sister for temporary employees provided.

The Technical Director stated JCC had contracted with his sister's temporary agency prior to his employment in 1990, and he has continued to use the agency's services.

We reviewed the payments to the temporary agency for the time period of July 1, 1995 through April 27, 1997, and determined JCC paid the temporary agency a total of $6,891 during this time period. The Technical Director stated his sister's company offers the lowest rates. However, the Technical Director also stated he had not contacted other temporary agencies to see if they were cheaper.

The Technical Director said he has no business relationship with his sister's company and has not been compensated by her company.

RECOMMENDATION

We recommend the JCC Board of Trustees adopt a conflict of interest policy and require all employees to sign an annual conflict of interest statement. This statement would certify they have no interests or relationships that would create a conflict. We recommend the form be reviewed by the supervisors and the President, in order to identify any potential conflicts.

8. THE PRESIDENT USED JCC FUNDS TO PURCHASE MEALS AND GIFTS FOR EMPLOYEES.

During the course of our review we determined the President has purchased meals and gifts for JCC employees with state and county funds. We reviewed the President's travel from February 1996 through February 1997. He was reimbursed $585 during this period

for meals purchased while he was not on travel status. According to the President's documentation, most of these reimbursements included meals for "guest." The President said some of the "guests" were JCC employees.

The North Carolina Community College System Office (NCCCSO) travel regulations allow reimbursement to Presidents for actual cost incurred for meals provided to guests of the President. However, employees are not included. We could not determine how much of the $585 represented meals for employees. The President claimed a per diem per guest instead of the actual cost and never submitted supporting receipts.

We also determined the President spent $2,302 to purchase 250 wall clocks as Christmas gifts for JCC employees. This expenditure was charged to public relations and paid with county funds.

RECOMMENDATION

We recommend the President stop the practice of using state and county funds to purchase meals and gifts for employees. In accordance with NCCCSO travel policies, we recommend the President be reimbursed the actual cost of meals for guests rather than a per diem and submit the proper documentation.

9. THE PRESIDENT IS NOT PROPERLY RECORDING HIS LEAVE.

The President earns 8 hours of sick leave and 17.17 hours of vacation leave per month. According to the North Carolina Community College System Office's Personnel Manual, a maximum of 240 hours of vacation leave may be accumulated annually. Any accrued

vacation leave exceeding 240 hours may be transferred to the employee's sick leave. A lump sum payment for accumulated vacation leave is paid to the employee upon separation. In addition, an employee can elect to exhaust all vacation leave prior to separation. All benefits accrue while leave is being exhausted. Sick leave is cumulative indefinitely. Upon retirement an employee receives one month of credit for each 20 days of accrued sick leave. As of February 1997, the President had accumulated 274.34 hours of vacation leave and 3,199.18 hours of sick leave. While we were conducting our special review, we received an allegation that the President had altered his leave records for prior months. We determined that on March 13, 1997, shortly after we began our review, the President submitted "Request for Leave" slips to the Secretary in the Business Office (Secretary). The leave slips showed 82 hours of annual leave taken as follows:

July 2 & 16, 1996	10 hours
August 6 & 20, 1996	10 hours
September 3 & 17, 1996	10 hours
October 1 & 15, 1996	10 hours
November 5 & 19, 1996	10 hours
December 3 & 10, 1996	10 hours
January 1 & 21, 1997	10 hours
February 4 & 18, 1997	12 hours
Total	82 hours

The President said he worked at least 60 hours every week and therefore did not worry about completing leave slips. He stated he did submit leave slips, on occasion, for several months at one time. The Secretary said it is JCC's policy for leave slips to be submitted by all employees in the corresponding month the leave is taken. We reviewed a summary of the President's leave records and determined he had not used any annual or sick leave since July 1994 with the exception of the leave submitted on March 13, 1997.

The President additionally serves as a Wayne County Commissioner. We noticed the days the President reported leave were all Tuesdays, with the exception of Wednesday, January 1, 1997, which was a state holiday. The Wayne County Commissioners are normally scheduled to meet on Tuesdays. We examined the Wayne County Commissioner's Board minutes from July 1994 through May 1997 to determine if the President attended any meetings unaccounted for on the leave sheet submitted March 13, 1997.

We determined that from July 1994 to May 1997, the President attended sixty one (61) Wayne County Commissioner's meetings that were held between 8:00am and 5:00pm and no leave was deducted on the dates the meetings were held. We did not include any meetings scheduled after 5:00pm. In addition to the County Commissioner's meetings, the President attended two National County Commissioner's conferences. No leave was deducted on the dates the President attended each conference. We estimated the total amount of time the President spent attending these County Commissioner's meetings and conferences was approximately 256 hours. It should be noted the 256 hours does not include any driving time to and from the meetings.

The President also serves on the Wayne County Board of Social Services. According to the Wayne County Director of Social Services, the President attended twenty-seven (27) board meetings. All meetings were held between 8:00am and 5:00pm, with the exception of one meeting that was scheduled at 7:30am. Again, the President did not deduct any sick or vacation leave for the dates of these meetings. In addition, the President received

a $15 payment for attending each meeting as well as compensation for mileage. The minutes for the Social Services Board meetings only stated the beginning times, therefore, we were unable to determine the amount of time spent at each meeting.

The President said the leave he submitted on March 13, 1997, did include leave for some of the Wayne County Commissioner's meetings. However, he said the leave submitted was meaningless. The President said the only reason he turned in a leave sheet was so no one could say he didn't submit leave. The President said he maintains his own records for time earned or deducted. Again, the President said he did not feel that he should deduct any leave since he worked an average of sixty (60) hours a week.

RECOMMENDATION

We recommend the JCC Board of Trustees ensure the President is complying with the NCCCSO and JCC's internal policy by recording annual and sick leave when taken.

10. THE PRESIDENT HAS COMBINED PERSONAL BUSINESS WITH JCC BUSINESS.

We received an allegation that lumber donated to the college was used by the President at his son's residence. When questioned, the President said he purchased lumber from the same company that donated lumber to JCC. The President stated his personally ordered lumber was delivered to JCC along with the donated lumber. An employee of JCC said he transported the lumber from JCC to the President's home. The President confirmed the

employee delivered the lumber to his home. In addition, the President gave us a copy of a personal check he wrote for the lumber. The owner of the lumber company verified the President personally paid for the lumber he received.

We also received an allegation that campaign material for the President was made at JCC. When questioned, the President said his children and the Maintenance Supervisor made signs for his Wayne County Commissioner campaign. According to the Maintenance Supervisor, he painted re-election signs for the President in the JCC carpentry shop. The Maintenance Supervisor said he painted the signs on a Saturday.

On April 29, 1996, JCC purchased 51,000 emery boards with the Johnston Community College logo. We received an allegation the President ordered 13,500 emery boards with his campaign logo, in addition to the emery boards purchased for JCC.

According to a representative with the advertising company that sold the emery boards, she met with the President and the Vice-President of Administration and Finance regarding the purchase. She said that during the meeting with the President, he placed the order for the emery boards with the college logo, as well as the emery boards with his campaign logo. JCC paid for the emery boards with its logo and the President paid for the emery boards with his campaign logo.

The President said he saved JCC money by purchasing a larger quantity of emery boards. The advertising company representative stated JCC received a minimal discount. However, the President also saved campaign money by combining the purchases.

The North Carolina State Purchasing Manual, Section VII-4, Page 1 states:

> The purchasing power of the State shall not be used for private advantage or gain. Purchases under contracts made by the State, except those in accordance with G.S. §143-58.1 shall not be allowed for personal use out of private funds nor shall agencies place orders for articles for ownership by employee or other individuals.
>
> In accordance with G.S. §143-58.1, this prohibition shall not apply if:
>
> A) The agency through which the property or services are procured had theretofore established policies and procedures permitting such purchases or procurement by a class or classes of persons in order to provide for the mutual benefit of such persons and the agency involved, or the public benefit or convenience; and
>
> B) Such policies and procedures, including any reimbursement policies, are complied with by the person permitted thereunder to use the purchasing or procurement procedures.

In addition, JCC's Internal Policy on Political Activities of the College President states,

> Any college president, who decides to run for public office, shall notify the local Board of Trustees of the intention to run and certify that campaigning or political activities will not be engaged in during regular working hours and that the college will not be involved in the president's political activities.

RECOMMENDATION

We recommend the President adhere to JCC's policy by conducting his personal and political business separately from the college's business.

11. THE COLLEGE HAS FAILED TO PAY SOME EMPLOYEES OVERTIME IN ACCORDANCE WITH U.S. DEPARTMENT OF LABOR REGULATIONS.

During our review we received an allegation some full-time employees were not receiving overtime pay for working at JCC's auditorium at nights and on weekends. We examined the payroll records of all JCC employees for the period of January 1996 through March 1997. We noted seven employees were not paid overtime during this period, in accordance with U.S. Department of Labor regulations, for hours they worked in excess of their regular work schedule.

We determined the following employees are due additional pay for overtime hours:

College Custodian	$ 2,102.19
Continuing Education Secretary	364.99
Continuing Education Secretary	346.53
Maintenance Employee	35.67
Maintenance Employee	53.82
Prior Maintenance Employee	229.35
Student Services Secretary	68.85
Total	$ 3,201.40

RECOMMENDATION

We recommend JCC pay all eligible employees overtime in accordance with U.S. Department of Labor regulations. In addition, we recommend JCC determine if any additional money is owed to employees for time periods prior to January 1996.

12. THE PRESIDENT IS USING A CAR PURCHASED WITH JOHNSTON COMMUNITY COLLEGE FUNDS FOR PERSONAL USE.

While we were conducting our review, we determined the President drives a car purchased with JCC funds to the Wayne County Commissioners and Social Services

Board meetings. We examined the President's travel to determine if he reported mileage on the dates of both the Wayne County Commissioners and Social Services Board meetings. In twelve (12) instances, the President reported mileage for travel to Goldsboro on dates of the meetings. Although mileage claimed while using the JCC car is not personally paid to the President, $.15 a mile is transferred out of state funds to county funds which pays the operating expenses for the car.

As a Wayne County Commissioner, the President receives a $225.00 monthly travel allowance for in-county travel. Additionally, the President is paid $.28 per mile for attending the Wayne County Social Services Board meetings. It appears the mileage reported for travel to Goldsboro on the dates of the Wayne County Commissioners and Social Services Meetings was reimbursed by three separate sources: Wayne County Social Services budgeted funds, Wayne County Commissioners budgeted funds, and JCC state appropriated funds. In our opinion, any monies received by the President for miles driven in the college-owned car should be paid to JCC.

The President said he drove the JCC car to the Wayne County Commissioner and Social Services meetings. He stated he had a verbal agreement with the JCC Board of Trustees that permitted him to drive the car to the meetings. However, the President said that, at his request, the JCC Board of Trustees recently adopted a written policy amending the verbal agreement with a reimbursement clause. It should be noted this policy was adopted

by the JCC Board of Trustees on April 10, 1997, after we had asked if such a policy existed.

The new policy on the use of the President's car states,

> ...It is expected that the car may be used for all events and occasions that require the presence of the president. This includes driving to and from his place of residence, going to restaurants, attending meetings and other similar travel. Should it be to the advantage of the college for the president to engage in travel not clearly college related, the president will pay to the college a mileage rate equal to the IRS allowance. A record of such mileage will be kept. This policy supersedes and amends the oral agreement made years ago by adding the reimbursement requirement which is retroactive to January 1993.

The President said he intends to reimburse the school for all travel to the Wayne County Commissioners and Social Services meetings. According to the Vice President of Administration and Finance, the President has not reimbursed for any mileage at this time, but is currently reviewing his travel from the time he took office in as a Wayne County Commissioner in January 1993 and will reimburse the school for any non-school travel.

The President said he discontinued his $225 per month travel allowance. A letter is on file in the Wayne County Finance Director's Office asking that this reimbursement stop. The letter was dated December 31, 1996, but was received by the Finance Director on

April 1, 1997. The President asked that the receipt for his reimbursement of January, February, and March 1997 payments be dated back to December 31, 1996. The Finance Director refused to do so. The President said he did not recall making the request, but; if the Wayne County Finance Director said he did, then he did. He said he was informed last week that he receives mileage reimbursement to attend the Social Services meetings, and he intends to have the reimbursement discontinued. In addition, the President said he does not report the travel from the Wayne County Commissioner and Social Services meetings on his mileage log.

RECOMMENDATION

We recommend the President use the JCC car in accordance with the policy as adopted and approved by the JCC Board of Trustees. Additionally, we recommend the President reimburse JCC in accordance with the policy.

Statement of Financial Impact

The following schedule represents a quantification of the items examined during our special review. We cannot completely quantify the tangible benefits or detriment, if any, to the taxpayer resulting from the findings of our review. For example, some of the amounts represent expenditures for which value was not received; others represent expenditures for which some value was received. We are simply noting these areas where the system of internal controls were either circumvented or should be enhanced, or where, in our judgement, questionable activities or practices occurred.

1.	Amount paid to the contractor awarded bids. (Refer to Finding 1)	$ 190,627
2.	Cost of carpet purchased from Maintenance Supervisor. (Refer to Finding 2)	19,897
3.	Cost of voicemail system. (Refer to Finding 3)	18,905
4.	Amount spent on caring for horses. (Refer to Finding 4)	2,247
5.	Amount inappropriately deposited by the Vice-President in her endowment account. (Refer to Finding 6)	200
6.	Amount paid to the sister of the Technical Director for temporary employees. (Refer to Finding 7)	6,891
7.	Cost of meals and gifts given employees by the President. (Refer to Finding 8)	2,887
8.	Amount of overtime not paid to employees. (Refer to Finding 11)	3,201
		$ 244,855

Auditor's Note: We could not quantify the cost associated with the President's use of the JCC car for non-school related business. However, there was a cost to taxpayers associated with his personal use of this car.

Auditor's Note to Johnston Community College's Response to Special Review

The Office of the State Auditor has carefully reviewed the response to the findings and recommendations. We have also reexamined all aspects of this special review, including the methods used to investigate the allegations. During this process we paid particular attention to those areas where the response contains assertions contrary to the findings. For example, part of the first finding is that the college did not advertise for bids on the construction project. The response states the college did advertise for bids. The maintenance supervisor told us that he telephoned three contractors and asked each to fax him an estimate based on his oral description of the project. That is clearly not advertising for bids. Therefore, based on our reexamination, the Office of the State Auditor stands behind this and all other parts of the report as accurate and factual.

The response states that it was made in the spirit of cooperation. In that vein, we will limit the remainder of our reply to the primary issue underlying this report. The central theme of the findings and recommendations is the failure to follow established procedures, such as those for purchase and contract, or the failure to have written procedures. These federal, state, and college procedures are designed, quite frankly, to accomplish two purposes. The first is to safeguard assets. The second is to promote the public's confidence that its institutions are conducting the public's business in an open and equitable manner. The response implies that even if they did not follow established procedures they saved money. What we found either contradicts these assertions or could not be verified given the lack of documentation and the informal and casual nature of the processes used by the administration. In addition, and

perhaps more importantly, this lack of concrete verification threatens to undermine the confidence in those decisions. Therefore, we renew our recommendation that the college and foundation follow the procedures established to safeguard the public's assets.

RESPONSE OF
JOHNSTON COMMUNITY COLLEGE
AND THE
JOHNSTON COMMUNITY COLLEGE FOUNDATION, INC.
TO THE
SPECIAL REVIEW
BY THE
OFFICE OF THE STATE AUDITOR
AUGUST, 1997

INTRODUCTION

Since its inception Johnston Community College ("the College") has enjoyed a reputation for educational excellence and fiscal responsibility. Throughout the years the College has greatly expanded its campus and programs through sound planning and budgetary policies. Periodic annual audits of the Office of the State Auditor and the Department of Community Colleges have confirmed the College's excellent record in the management of its fiscal affairs.

The Johnston Community College Foundation, Inc. ("the Foundation") was established to raise and manage funds with which to provide scholarships and otherwise further the educational goals of the College. Members of the College's Board of Trustees also serve as members of the Trustees of the Foundation. To date, the Foundation has raised hundreds of thousands of dollars from private sources and has invested and manages those funds so as to further the educational mission of the College.

The present audit is the result of a Special Review conducted pursuant to G.S. Section 147-64.b(c)(16). It was prompted by anonymous calls to a toll free "hotline" in

the State Auditor's office. Under law, this department is charged with the duty to respond to the tips received and to present its findings in a written report ("the Report").

All of the activities of the College and the Foundation are open and appropriately subject to public scrutiny. Therefore, the College and the Foundation welcome this opportunity for the Special Review.

It is in the spirit of cooperation with and support of the Office of the State Auditor that the College and Foundation receive and will review and act upon the Report. Nevertheless, there are some matters within the Report to which the College and Foundation believe a response is justified and should be noted for the public record. To that end, the College and the Foundation respectfully submit this additional information to be included with the Report.

I. CONSTRUCTION PROJECT BIDS

The Report sites an instance where the College's Board of Trustees awarded a construction contract without "a formal competitive bidding process." The Report acknowledges that bids were sought and obtained, but the Report questions the procedure in obtaining the bids.

The taxpayers should be aware that bids for this contract were in fact advertised and that the bid in question was the lowest bid of the three submitted. Therefore, by accepting the bid at issue, the College was acting to save the taxpayers thousands of dollars over the next lowest bid. There is absolutely no basis upon which to assume that the bids would have been any different had different procedures been

followed. Further, the procedures followed by the College in this instance are the same as have been previously employed successfully by the College over many years. Finally, these bidding procedures have been reviewed often and routinely in previous audits and reviews, and no question has been raised prior to the Report.

With regard to the subject of the bids, the Report does not contend that the College did not receive the products, services and benefits of the contract for which it bargained and paid. In point of fact, the College did receive all that it sought to purchase and at a bargain price.

The College notes with appropriate concern the Report's mention of the appearance of a conflict of interest and will take steps to insure that even the appearance of a conflict of interest does not occur in the future.

II. PURCHASE OF CARPET

The procedures followed in the purchase of carpet have been reviewed by previous auditors, who have advised the College that the procedures were acceptable. Nevertheless, the College notes with appropriate concern the Report's mention of the appearance of a conflict of interest and will take steps to insure that even the appearance of a conflict of interest does not occur in the future.

III. PURCHASE OF VOICE MAIL SYSTEM

Several years ago, the College purchased a Mitel 2 telephone system from Carolina Telephone and Telegraph Company ("Carolina Telephone"), which gave the

capacity to add features as needed. Through the years, the College has added telephones which required additional port cards. As these needs arose, the College enlisted Carolina Telephone to upgrade the system.

The College considered purchasing a voice mail system in March, 1995, and requested a quote from Carolina Telephone. Its quote was for $18,507.00 plus sales tax. Nothing was done further until October, 1996, when the College requested that Carolina Telephone provide the system. Throughout this time, the College was not aware that the system was on state contract. Further, since the equipment was an addition to existing equipment, the College understood that it was not necessary to purchase the system through State Purchasing. The system was not invoiced to the College until May 27, 1997, when installation was complete and the system was working properly. The actual cost of the system, including tax, was $20,844.67 (invoice attached).

Since the matter has been brought to the College's attention by the Report, we have obtained a price quote through State Purchasing for this system. The quote, effective January 1, 1997, was "$22,991 and up - plus sales tax." A copy of Term Contract No. 725-10 is attached.

The College acknowledges the procedures to be followed in purchases of this nature. However, it should be noted that, in this instance, the College actually saved the taxpayers $3,535.79.

The College is mindful of the need to follow appropriate purchasing procedures, and the recommendations of the Report will be carefully reviewed and

considered in this instance. However, one should not conclude from the Report that the College wasted taxpayer funds, when in reality such funds were saved by the procedures employed by the College regarding the voice mail system.

IV. ITEMS DONATED TO FOUNDATION

The major mission of the Foundation is to raise funds to provide an endowment for College scholarships and activities. To this end, the Foundation seeks, in addition to cash, other types of contributions which may be converted to cash. Rarely are items which are offered rejected; instead, they are gratefully received and put to the purpose for which the donation was intended.

In 1995, an individual donated seven horses to the Foundation with the understanding that the Foundation would receive sales proceeds at such time as the horses were sold. Because the College and the Foundation had no facilities to house the horses, they remained at the benefactor's farm while efforts were made to sell them. Employees of the College did assist in the feeding and care for the horses while they were being marketed.

The Trustees of the College and the Foundation accepted the promise of the money when the horses were sold. If the horses had been sold and monies actually transferred to the Foundation, the Foundation would have then acknowledged the gift. Unfortunately, purchasers for these horses did not materialize, and the responsibility for their care was returned to the benefactor without remuneration to the Foundation. Although the transaction did not result in the anticipated monetary gain for the

Foundation's endowment, all parties acted in good faith regarding the horses and the effort to market them.

V. RECORDS FOR DONATIONS TO THE FOUNDATION

The Foundation incorporates the comments provided in Article IV above. With respect to the horses, the donation was to be accepted and acknowledged when the horses were sold and the monies received. With respect to the tractor, it was returned to the donor before any acknowledgement was appropriate.

The Foundation is mindful of the need to keep appropriate records of all donations, and the recommendations of the Report will be carefully reviewed and considered.

VI. ALTERATION OF RECORD

The Vice President of Administration and Finance was given $200.00 in December, 1996, from the sale of a horse (which was not one of the horses described Article IV above). The $200.00 in sales proceeds were donated by a benefactor in Clayton whose only stipulation was that the funds be used for student scholarships. The funds remained in the Office of the Vice President for approximately five days, when she realized she had not yet deposited them. She then wrote a personal check for $200.00 which she gave to the Business Office for deposit into a scholarship/endowment account. The Vice President has acknowledged a mistake regarding the "whiting out" of the memo section of the check, and she explains that she was frankly intimidated and scared by some of the auditors. The College does not condone the whiting out of the check.

However, there is no doubt that the money was deposited for student scholarships as the donor had requested.

VII. CONTRACT WITH TEMPORARY AGENCY

The Report states "the Technical Director of the Auditorium has created an appearance of a conflict of interest by using his sister's temporary agency to provide temporary employees for functions at JCC's auditorium." The Report concludes that this creates the appearance of a conflict of interest.

The contract in question was awarded to the temporary agency by the predecessor of the Technical Director. At that time, there was no actual conflict of interest or even the appearance of conflict. When the predecessor resigned, the current Technical Director was named to replace her and simply continued with the pre-existing contract. He did not inform the College of his relationship to the contracting temporary agency's owner, and the College was not aware of that relationship until it was discovered by the Special Review.

The College is mindful of the need to eliminate the appearance of conflicts of interest, and the recommendations of the Report will be carefully reviewed and considered. However, it should be noted that the contract in question was awarded prior to the Technical Director's assumption of duties and that it was the low bid received from appropriate bidding procedures.

VIII. PURCHASES OF MEALS AND GIFTS

From time to time, the College makes purchases of small gifts or remembrances for JCC employees or patrons. Also, from time to time, the President is called upon to entertain persons in connection with official business. These expenditures are made in the ordinary and routine course of business for not only the College but other community colleges as well. The Trustees have been aware of these purchases and have concluded that they are appropriate as "public relations." With regard to meals for employees, those were accounted for but to the wrong budgetary line item, and the College has made the appropriate corrections and transfers.

The College is mindful of the need to follow appropriate procedures regarding public relations expenses, and the recommendations of the Report will be carefully reviewed and considered.

IX. PRESIDENT'S LEAVE

The policies of the College provide that hours of work may be anytime between 8:00 a.m. and 11:00 p.m., seven days per week, including Sundays. This policy applies to all employees, including the President. The President averages between 60 and 65 hours per week. He reports that he "takes off" less than 10 hours per month (9.5 hours per month averaged over the last two years). The President maintains records of these activities.

The Report recommends that the President follow appropriate policies and record annual and sick leave when taken. The College is mindful of the need to follow appropriate procedures regarding annual and sick leave, and the recommendations of the

Report will be carefully reviewed and considered. However, there is no doubt that the President devotes far in excess of 40 hours per week to the activities of the College, and the College is in no way "short changed" by the President's activities.

X. PRESIDENT'S PERSONAL BUSINESS

The Report implies, but does not conclude, that the President has obtained lumber for his personal use which had been donated to the College. This suggestion, even in its implied form, is expressly repudiated by the President and the Trustee involved. The records indicate that the lumber in question was bought, invoiced and paid for appropriately.

The President reports that the emery boards were purchased in bulk to enable the College to receive a lower price. This lower price is reflected in the records and saved the College approximately $800.00.

The College is mindful of the need to follow appropriate procedures regarding the President's personal activities, and the recommendations of the Report will be carefully reviewed and considered.

XI. OVERTIME

The College concurs with the Special Review regarding overtime. Any non-payment of overtime was unintentional, and the College is taking steps to insure that all overtime which should be paid will in fact be paid in accordance with U.S. Department of Labor regulations.

XII. PRESIDENT'S TRAVEL

The President is provided a car by the College as part of his compensation. For years, the operation of the President's car was governed by an informal, unwritten policy of the College's Trustees. During the course of the Special Review, former Trustees were consulted to review the previously-existing policy. They confirm the nature the former policy and that the President's travel has been in accordance with that policy (see attached).

Nevertheless, the auditors and the Special Review have brought to the Trustees' attention the need to clearly set out the appropriate policy for the future use of this car, and a new written policy has been adopted for purposes of clarity.

The College is mindful of the need to follow appropriate procedures regarding the President's travel, and the recommendations of the Report will be carefully reviewed and considered.

XIII. STATEMENT OF FINANCIAL IMPACT

In reviewing the Statement of Financial Impact, attached as Exhibit A to the Report, it should be emphasized that the Report does not show that any funds are missing or unaccounted for. The Statement of Financial Impact lists the items referred to in the Report and assigns dollar amounts to each. It correctly notes that the Report does not "completely quantify tangible benefits or detriment, if any, to the taxpayer...." The Statement then goes on to total the dollar amounts of the items. The College and the Foundation are concerned and distressed that the impression given by the Statement of

Financial Impact is that the funds listed were lost, misappropriated or worse. In fact, however, many of the items listed do not involve cost to the taxpayers but rather savings to the taxpayers. Further, the College verily believes---and the evidence shows---that it received full and fair value for the construction project bid (referred to in Article I above); hence, as to this item, there was no negative financial impact to the College or the taxpayers. This one item accounts for approximately 80% of the total contained in the Statement of Financial Impact. Likewise, the voice mail system, which is listed in the Statement of Financial Impact as a $18,905 item, actually saved taxpayer dollars.

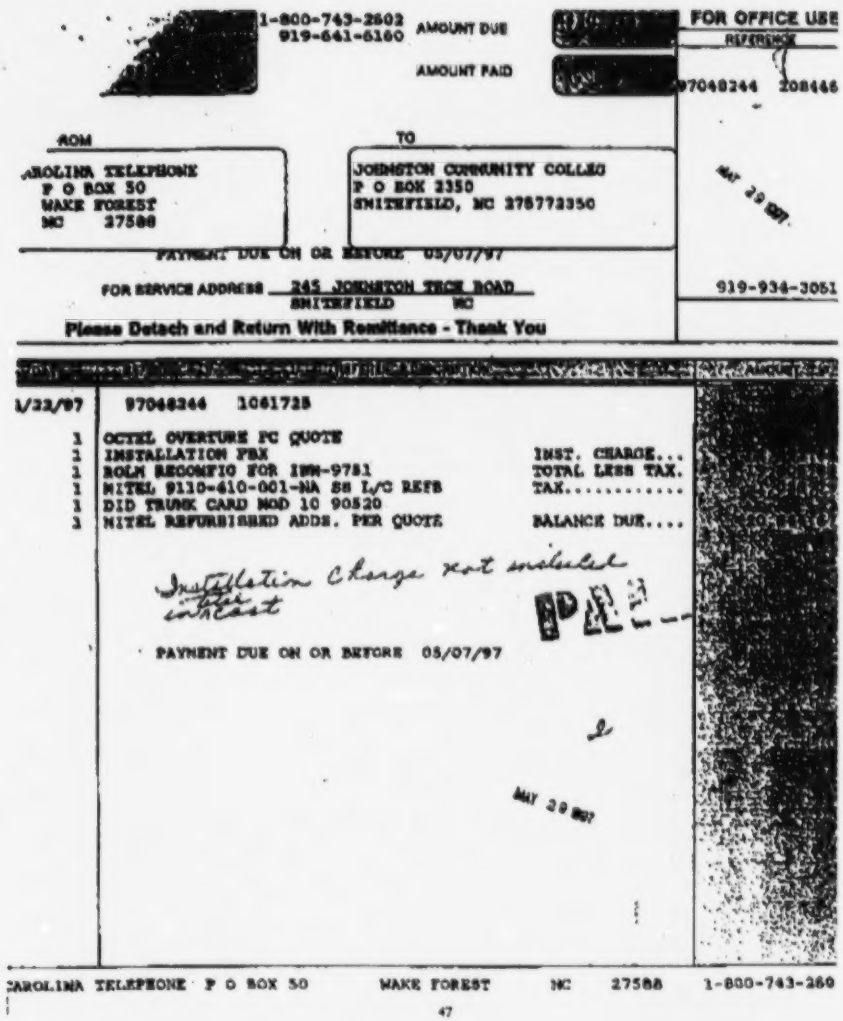
Because the enumerated items do not involve losses or negative items, the Statement of Financial Impact could be misconstrued to conclude that the taxpayers have lost some $244,855.00, when in fact, many of the items listed actually resulted in savings to the taxpayers.

CONCLUSION

After many weeks and hundreds of man hours of investigation, the Report concludes that the College and the Foundation should review and revise its procedures with respect to the items in the Report. We are pleased to note that the Report does not conclude that any funds are missing from either the College of the Foundation.

The College and the Foundation intend to carefully consider all recommendations made in the Report. Wherever appropriate, procedures will be amended and/or implemented to address specific matters contained in the Report. The College and the Foundation will continue to work to provide educational excellence through sound

fiscal policy for the benefit of the students of the College and the taxpayers of Johnston County and North Carolina.



1-800-743-2602
919-641-6160

AMOUNT DUE [redacted]

AMOUNT PAID [redacted]

FOR OFFICE USE
REFERENCE
97048244 208446

FROM
AROLINA TELEPHONE
P O BOX 50
WAKE FOREST
NC 27588

TO
JOHNSTON CUMMUNITY COLLEG
P O BOX 2350
SMITHFIELD, NC 278772350

MAY 29 1997

PAYMENT DUE ON OR BEFORE 05/07/97

FOR SERVICE ADDRESS 245 JOHNSTON TECH ROAD
SMITHFIELD NC

919-934-3051

Please Detach and Return With Remittance - Thank You

1/22/97	97048244 1061725		
1	OCTEL OVERTURE PC QUOTE		
1	INSTALLATION FEE	INST. CHARGE...	
1	BOLM RECONFIG FOR IHH-9751	TOTAL LESS TAX.	
1	MITEL 9110-410-001-NA SS L/C REPS	TAX.....	
1	DID TRUNK CARD MOD 10 90520		
1	MITEL REFURBISHED ADDS. PER QUOTE	BALANCE DUE....	

Installation Charge not included in this cost

PAID

PAYMENT DUE ON OR BEFORE 05/07/97

MAY 29 1997

CAROLINA TELEPHONE P O BOX 50 WAKE FOREST NC 27588 1-800-743-260

47

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VOICE PROCESSING EQUIPMENT FOR TELEPHONE SYSTEM

Term Contract: 725-10

Last Updated: March 27, 1997

Effective dates: January 01, 1997 Thru December 31, 1997

Bid No.:603545

Contact: DEWEY BENNETT
- **Phone: (919)733-6604**

E-Mail Address:dewey_bennett@mail.doa.state.nc.us

"TAXES": Prices or Discount shown herein do not include North Carolina Sales or use taxes.

Any cash discount is considered earned if paid within 30 days after receipt of correct invoice or acceptance of goods, whichever is later, unless otherwise indicated below.

Net invoices, 30 days.

Addendum

Transportation

FOB any destination with all transportation charges included in contract prices.

General Information

USAGE: This contract is intended to cover the State's normal requirements for Voice Processing Equipment for most Telephone Systems used by all state agencies, departments, institutions, public school units with the exception of the University System, Administrative Office of the Courts, and any other agencies exempt by statute.

WARRANTY: All items carry at least a one year warranty.

MANUALS: Service Manuals and Operating Instructions are included at no extra charge.

DELIVERY: Normal delivery is 30 days or less.

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TRAINING: On-site training is provided at no extra charge for each voice processing system installation.

NOTE: All purchase orders issued against this contract certification should show a complete shipping address and charge to address.

ORDERING INFORMATION:

THE INFORMATION CONTAINED IN THE FOLLOWING PAGES IS FOR REFERENCE PURPOSES ONLY. ALL ORDERS TO BE PLACED AGAINST THIS CONTRACT REQUIRE THE PRIOR APPROVAL OF STATE TELECOMMUNICATIONS SERVICES (STS). ALL REQUESTS FOR GENERAL INFORMATION, NEEDS ANALYSIS OR SYSTEMS CONFIGURATIONS SHOULD BE DIRECTED TO STS, 3700 WAKE FOREST ROAD, RALEIGH, NC 27609. TELEPHONE: (919) 981-5234. A COPY OF ALL SYSTEMS APPROVAL LETTERS FROM STS ARE TO BE FORWARDED TO THE DIVISION OF PURCHASE AND CONTRACT IN CARE OF DEWEY BENNETT.

PRICING: Contact State Telecommunications Services. Prices vary according to each agency's specific needs.

ABNORMAL QUANTITIES: Any agency requirement that exceeds $50,000.00 must be forwarded to the Division of Purchase and Contract for processing. The Division, at its sole discretion, may process any such requirement in one of the following ways:

1) Purchase may be authorized at the current level of pricing with the current contract vendor(s).

2) Additional discounts from the current level of pricing may be negotiated with the current contract vendor(s).

3) A separate Invitation for Bids may be issued for the requirement.

STS ADMINISTRATION FEE: Effective June 1, 1996 Business Communications, Inc. was instructed by State Telecommunications Services/SITS to begin adding a 12% administrative fee to current contract prices. The administrative fee of 12% is to be added to each hardware item/component, all software and labor/installation per STS' instructions. Therefore, voice processing equipment configurations will reflect a 12% higher total cost than the actual bid award prices to accomodate the 12% administrative fee charged by STS/SITS. The vendor will invoice each agency for all charges including STS's 12% administrative fee and then will submit all fees collected to STS monthly.

Contractors

All known minority, women and disabled owned businesses, as well as disabled business enterprises and nonprofit work centers for the blind and severely disabled, including dealers, will be identified with "Minority owned" "Woman owned", "Disabled Owned", "DBE" or "BSD" as appropriate after the vendor number. This is being done in an effort to recognize these businesses and to encourage and promote their use to the greatest extent permitted by law.

When more than one supplier is listed for a particular item, selection should be made, whenever possible, from any of the groups identified above, consistent with agency needs and price considerations.

Vendor Number Contractor Number	Address	Telephone No.	Terms

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56-1292379A 100 SOUTHCENTER COURT (919)481-6333 NET
SUITE 500
BUSINESS MORRISVILLE NC 27560
COMMUNICATIONS, INC.

Commodity Number 725-10

Section I

VOICE PROCESSING EQUIPMENT FOR TELEPHONE SYSTEMS

ITEM 1

OCTEL OVERTURE P.C. VOICE PROCESSING EQUIPMENT
Commodity No. 725-10-10

PRICE RANGE: $9,612.00 and up.

CONFIGURATION 1: For most Telephone Systems

THE INFORMATION SHOWN ABOVE IS FOR REFERENCE PURPOSES ONLY. ALL ORDERS ARE TO BE PLACED IN ACCORDANCE WITH THE INSTRUCTIONS CONTAINED IN THE PARAGRAPH ENTITLED ORDERING INFORMATION LOCATED ON PAGE 1 OF THIS DOCUMENT.

ITEM 2

OCTEL OVERTURE 200 VOICE PROCESSING EQUIPMENT
Commodity No. 725-10-15

PRICE RANGE: $22,991.00 and up.

CONFIGURATION 2: For most Telephone Systems

THE INFORMATION SHOWN ABOVE IS FOR REFERENCE PURPOSES ONLY. ALL ORDERS ARE TO BE PLACED IN ACCORDANCE WITH THE INSTRUCTIONS CONTAINED IN THE PARAGRAPH ENTITLED ORDERING INFORMATION LOCATED ON PAGE 1 OF THIS DOCUMENT.

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To: John Tart
From: Johnston Community College Trustees

The following has been the policy of the trustees of Johnston Community College since its beginning in 1969.

As president you are on call for college work at all times and expected to respond when needed in addition to the regular work day. Therefore, a car is furnished to facilitate this requirement and for convenience. The car may be used in all related college activities, going to and from the place of residence and to attend other meetings that may require minimal deviation from regular routes.

William R. Britt, Ch.
John M. Dimmock
Edward L. White
Vonnie H. Jones, Jr.
Stanley C. Peele
D. Reuben Benson
Carl P. Wolf, M.D.

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DISTRIBUTION OF AUDIT REPORT

In accordance with G.S. §147-64.5 and G.S. §147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional c pies are provided to other legislators, state officials, the press, and the general public upon request.

EXECUTIVE BRANCH

The Honorable James B. Hunt, Jr.	Governor of North Carolina
The Honorable Dennis A. Wicker	Lieutenant Governor of North Carolina
The Honorable Harlan E. Boyles	State Treasurer
The Honorable Michael F. Easley	Attorney General
The Honorable Harry Payne	Commissioner, Department of Labor
Mr. James J. Coman	Director, State Bureau of Investigation
Mr. Marvin K. Dorman, Jr.	State Budget Officer
Mr. Edward Renfrow	State Controller
Ms. Muriel K. Offerman	Secretary, Department of Revenue
Ms. Katie Dorsett	Secretary, Department of Administration

LEGISLATIVE BRANCH

Appointees of the Joint Legislative Commission on Governmental Operations

Senator Marc Basnight, Co-Chairman	Representative Harold J. Brubaker, Co-Chairman
Senator Austin Allran	Representative James W. Crawford, Jr.
Senator Frank W. Ballance	Representative Billy Creech
Senator Betsy L. Cochrane	Representative N. Leo Daughtry
Senator Roy A. Cooper, III	Representative Theresa H. Esposito
Senator Wilbur P. Gulley	Representative Robert Grady
Senator David Hoyle	Representative Lyons Gray
Senator Fountain Odom	Representative George M. Holmes
Senator Beverly M. Perdue	Representative Larry T. Justus
Senator Aaron W. Plyler	Representative Richard T. Morgan
Senator Anthony E. Rand	Representative Liston B. Ramsey
Senator Ed N. Warren	Representative Carolyn B. Russell

Other Legislative Officials

Senator Robert G. Shaw	Minority Leader of the N.C. Senate
Representative James B. Black	Minority Leader of the N.C. House of Representatives
Mr. Thomas L. Covington	Director, Fiscal Research Division

DISTRIBUTION OF AUDIT REPORT (CONCLUDED)

Other Parties

Dr. H. Martin Lancaster	President, North Carolina Community College System Office
Ms. Joan J. Johnson	Chairman, Johnston Community College Board of Trustees
Dr. John Tart	President, Johnston Community College
Mr. Norman C. Denning	Chairman, Johnston County Board of Commissioners
Mr. Richard B. Self	Johnston County Manager
Mr. George M. Wolfe	Chairman, Wayne County Board of Commissioners
Mr. Will R. Sullivan	Wayne County Manager

August 21, 1997

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

Office of the State Auditor
State of North Carolina
300 North Salisbury Street
Raleigh, North Carolina 27603-5903

Telephone: 919/733-3217

Facsimile: 919/733-8443

E-Mail: reports@aud.osa.state.nc.us

A complete listing of other reports issued by the Office of the North Carolina State Auditor is available for viewing and ordering on our Internet Home Page. To access our information simply enter our URL into the appropriate field in your browser: http://www.osa.state.nc.us.

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